

**SANTA CLARA VALLEY
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
June 30, 2008**

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**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2008**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND THE TRANSPORTATION DEVELOPMENT ACT**

Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

We have audited the financial statements of the business-type activities, the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Transportation Authority (VTA), as of and for the year ended June 30, 2008, which collectively comprise VTA's basic financial statements and have issued our report thereon dated November 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered VTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VTA's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects VTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of VTA's financial statements that is more than inconsequential will not be prevented or detected by VTA's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by VTA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act funds allocated to and received by VTA were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 6667 of Title 21 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State Controller's Office, the Metropolitan Transportation Commission, federal awarding agencies, pass-through entities, and the Board of Directors and management of VTA, and is not intended to be and should not be used by anyone other than these specified parties.

Vannine Trine Day + Co. LLP

Palo Alto, California
December 23, 2008



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Directors
Santa Clara Valley Transportation Authority
San Jose, California

Compliance

We have audited the compliance of the Santa Clara Valley Transportation Authority (VTA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. VTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of VTA's management. Our responsibility is to express an opinion on VTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of VTA's compliance with those requirements.

In our opinion, VTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of VTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered VTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the VTA's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the government activities, each major fund, and the aggregate remaining fund information of the VTA as of and for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the VTA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and management of VTA, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannink Time Day + Co. LLP

Palo Alto, California
December 23, 2008

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SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

Program Description	Federal CFDA Number	Grant Number	Program Award
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Grants			
Federal Transit Cluster:			
Federal Transit Capital Investment Grants	20.500	CA-03-0478	\$ 9,428,000
	20.500	CA-03-0512	12,945,714
	20.500	CA-03-0635	975,663
	20.500	CA-03-0639	4,694,254
	20.500	CA-03-0654	773,364
	20.500	CA-03-0793	6,370,650
	20.500	CA-04-0028	495,000
	20.500	CA-04-0059	396,000
	20.500	CA-05-0210	17,217,424
Federal Transit Formula Grants			
	20.507	CA-90-0799	8,500,825
	20.507	CA-90-0884	24,953,040
	20.507	CA-90-0001	82,768,872
	20.507	CA-90-0067	101,182,953
	20.507	CA-90-0131	38,780,064
	20.507	CA-90-0250	39,791,368
	20.507	CA-90-0346	35,689,976
	20.507	CA-90-0439	34,049,836
	20.507	CA-90-0538	35,724,166
	20.507	CA-90-0628	31,865,893
	20.507	CA-95-X086	6,248,000
	20.507	CA-26-7019	50,000
	20.507	CA-39-0005	725,000
Passthrough California State Department of Transportation: (1)			
Federal Transit Formula Grants	20.507	CA-81-2003(01)	86,520
	20.507	HOTM-1	1,572,842
Passthrough Metropolitan Transportation Commission: (1)			
Federal Transit Capital Investment Grants	20.500	P3101-MTC	600,000
	20.500	MTC-VTA-0191	2,237,855
Total Federal Transit Cluster			498,123,279
Highway Planning and Construction	20.205	CMA-07-09	1,820,000
Job Access-Reverse Commute Program	20.516	CA37-X081	136,687
	20.516	CA37-X061	458,002
Total U.S. Department of Transportation			500,537,968
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passthrough CA Governor's Office of Homeland Security: (1)			
Rail and Transit Security Grant Program	97.075	2005-GB-T5-0002	742,050
	97.075	06TSGP0001	1,186,349
Total U.S. Department of Homeland Security			1,928,399
U.S. DEPARTMENT OF ENERGY			
Passthrough CA Department of Energy: (1)			
State Energy Program	81.041	USDOE	100,000
TOTAL FEDERAL AWARDS			<u><u>\$502,566,367</u></u>

(1) Pass-through entity number is not available

See accompanying notes to schedule of expenditures of federal awards.

Federal Receivable at June 30, 2007	EXPENDITURES - FEDERAL SHARE			RECEIPTS			Federal Receivable at June 30, 2008
	Cumulative Prior to July 1, 2007	July 1, 2007 through June 30, 2008	Cumulative through June 30, 2008	Cumulative Prior to July 1, 2007	July 1, 2007 through June 30, 2008	Cumulative through June 30, 2008	
\$ 18,065	\$ 9,428,000	\$ -	\$ 9,428,000	\$ 9,409,935	\$ 18,065	\$ 9,428,000	\$ -
37,977	12,113,169	64,177	12,177,346	12,075,192	20,690	12,095,882	81,464
43,042	144,205	6,243	150,448	101,163	46,628	147,791	2,657
-	2,214,254	2,480,000	4,694,254	2,214,254	2,480,000	4,694,254	-
(380,897)	-	773,364	773,364	380,897	392,467	773,364	-
-	-	6,370,650	6,370,650	-	6,370,650	6,370,650	-
-	-	-	-	-	-	-	-
-	-	396,000	396,000	-	-	-	396,000
295,835	312,279	9,248,485	9,560,764	16,444	1,628,059	1,644,503	7,916,261
76,581	8,429,349	71,476	8,500,825	8,352,768	148,057	8,500,825	-
34	24,953,035	5	24,953,040	24,953,001	39	24,953,040	-
108,103	82,768,872	-	82,768,872	82,660,769	108,103	82,768,872	-
5,552	98,624,978	1,728,606	100,353,584	98,619,426	1,694,487	100,313,913	39,671
89,990	38,778,728	1,336	38,780,064	38,688,738	91,326	38,780,064	-
179,379	39,791,368	-	39,791,368	39,611,989	179,379	39,791,368	-
222,415	34,849,360	98,282	34,947,642	34,626,945	234,875	34,861,820	85,822
134,936	33,478,057	217,198	33,695,255	33,343,121	309,825	33,652,946	42,309
34,890,393	34,890,393	5,636	34,896,029	-	34,890,393	34,890,393	5,636
-	-	23,376,639	23,376,639	-	-	-	23,376,639
-	-	6,248,000	6,248,000	-	-	-	6,248,000
-	13,581	1,112	14,693	13,581	-	13,581	1,112
-	-	-	-	-	-	-	-
27,858	27,858	58,662	86,520	-	-	-	86,520
7,414	95,741	5,260	101,001	88,327	11,819	100,146	855
-	-	445,392	445,392	-	279,872	279,872	165,520
208,037	1,758,671	7,820	1,766,491	1,550,634	215,857	1,766,491	-
35,964,714	422,671,898	51,604,343	474,276,241	386,707,184	49,120,591	435,827,775	38,448,466
835,000	835,000	70,000	905,000	-	687,687	687,687	217,313
87,227	87,227	49,460	136,687	-	136,687	136,687	-
94,046	458,002	-	458,002	363,956	94,046	458,002	-
36,980,987	424,052,127	51,723,803	475,775,930	387,071,140	50,039,011	437,110,151	38,665,779
36,603	421,603	320,447	742,050	385,000	206,741	591,741	150,309
-	-	130,037	130,037	-	-	-	130,037
36,603	421,603	450,484	872,087	385,000	206,741	591,741	280,346
-	35,250	-	35,250	35,250	-	35,250	-
\$37,017,590	\$424,508,980	\$52,174,287	\$476,683,267	\$387,491,390	\$50,245,752	\$437,737,142	\$38,946,125

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

JUNE 30, 2008

A. General

The schedule of expenditures of federal awards presents the activity of all federal awards programs of Santa Clara Valley Transportation Authority (VTA). Federal awards received directly from federal agencies and received through other governmental agencies are included on the schedule of expenditures of federal awards. The grant period may be different from VTA's fiscal year, which is from July 1 through June 30. Federal expenditures represent transactions during VTA's fiscal year.

B. Basis of Accounting

The schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in the notes to VTA's financial statements.

C. Relationship to Financial Statements

VTA's federal awards are reported as follows in the financial statements for the year ended June 30, 2008:

Federal grant revenues, as reported in financial statements:

Enterprise fund	\$ 53,392,525
Special revenue funds	<u>1,102,265</u>
Total federal grant revenues	<u>54,494,790</u>

Reconciliation of total federal grant revenues, as reported in the financial statements, to the total federal expenditures, as reported in the accompanying schedule of expenditures of federal awards:

Other timing differences between federal grant revenues recognized and federal expenditures reported	<u>(2,320,503)</u>
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Total federal expenditures, as reported in the accompanying schedule of expenditures of federal awards	<u><u>\$ 52,174,287</u></u>
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YEAR ENDED JUNE 30, 2008

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

No

Significant deficiencies identified not considered to be material weaknesses?

No

Noncompliance material to financial statements noted?

No

Internal control over major programs:

Material weaknesses identified?

No

Significant deficiencies identified not considered to be material weaknesses?

No

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

20.500 and 20.507

U.S. Department of Transportation

Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,565,229

Auditee qualified as low-risk auditee?

Yes

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SCHEDULE OF CURRENT AUDIT FINDINGS**

YEAR ENDED JUNE 30, 2008

There were no findings representing significant deficiencies, material weaknesses, and instances of non-compliance including questioned costs that are required to be reported by OMB Circular A-133 or *Government Auditing Standards*.

**SANTA CLARA VALLEY TRANSPORTATION AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED JUNE 30, 2008

There were no prior year's findings representing significant deficiencies, material weaknesses, and instances of non-compliance including questioned costs that are required to be reported by OMB Circular A-133 or *Government Auditing Standards*.

